

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6665**

**BILL NUMBER: HB 1126**

**DATE PREPARED:** Mar 15, 1999

**BILL AMENDED:**

**SUBJECT:** Individual development accounts.

**FISCAL ANALYST:** Jim Mundt

**PHONE NUMBER:** 232-9858

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill defines a community development corporation, in part, as a private, nonprofit corporation whose principal purpose includes providing housing, social services, or community based economic development projects that primarily benefit low income individuals and communities. (Current law requires that the corporation provide housing, social services, and community based economic development projects that primarily benefit low income individuals and communities.) It defines a financial institution as a bank, savings association, credit union, or any other institution regulated under Indiana or federal law. (Current law provides that only those institutions regulated under Indiana law are financial institutions.)

The bill decreases from \$1,000 to \$100 the minimum donation a corporation or an individual may make to an individual development account fund in order to qualify for a tax credit. It also provides that up to 20% of the first \$100,000 deposited each year from private donations into a community development corporation's individual development account fund may be used by the community development corporation for purposes relating to the administration of individual development accounts.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) In 1997, HEA 1425 created individual development accounts and appropriated from the State General Fund to the Department of Commerce specific amounts to be used as a match to money deposited into the accounts by individuals. The law calls for limitations of the annual amount appropriated for each account to \$900 for each account in existence for not more than 4 years.

Not more than 800 accounts can be established each year. The program lasts for four years, with no new accounts added during the fourth year. The maximum number of accounts which could be created is 2400. The appropriation for FY98, the first year of the program, was \$720,000. The appropriation for FY99 is

\$1,440,000. For future years, the appropriation will be \$2,160,000 for FY2000 and \$2,160,000 for FY2001. The state's obligation to match funds expires July 1, 2001.

For the first year of the program (FY 98), 800 accounts were created. Of those, 351 received matching funds in total amount of \$212,210. This means that 29.5% of the amount appropriated for FY 98 was used and the balance, \$507,790, was reverted to the State General Fund. For the current year, FY 99, 800 more accounts have been awarded. The number of accounts which will receive matching funds and the amount of the match will not be known until the close of the fiscal year. The total appropriation available for FY 99 is \$1,440,000.

**Explanation of State Revenues:** (Revised) The provision of this bill which lowers the minimum allowable donation for purposes of qualifying for a tax credit from \$1,000 to \$100 may encourage more corporations or individuals to contribute. The bill does not change current law which provides that the total amount of tax credits allowable for all taxpayers is \$500,000 in any fiscal year. For this reason, there is no impact on the maximum revenue loss for any fiscal year.

The actual number of credits claimed for taxable years beginning after December 31, 1997, the first year they are available, is not known because returns for those years are not yet due to be filed. The Department of Commerce reports that they are aware of only a few contributions in an unspecified amount having been made to accounts which qualify for the credit.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Indiana Department of Commerce, Keith Cheney, 232-8905.